

**SPRINGVILLE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006**

SPRINGVILLE CITY

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SPRINGVILLE CITY

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INDEPENDENT AUDITOR'S REPORT

September 26, 2006

Honorable Mayor
Members of the City Council
Springville City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City, Utah (City) as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 26, 2006 on my consideration of Springville City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville City's basic financial statements. The combining nonmajor fund statements and the schedule of impact fees described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Springville City, we offer readers of Springville City's financial statements this narrative overview and analysis of the financial activities of Springville City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Springville City increased \$10,094,280 or 11.6% to \$97,208,988. The governmental net assets increased by \$4,587,687 and the business-type net assets increased by \$5,506,593.
- The total net assets of \$97,208,988 are made up of \$69,577,059 in capital assets net of related debt and \$27,631,929 in other net assets.
- Total long-term liabilities of the City increased by \$3,935,111. Decreases due to annual payoffs of current long term liabilities plus paying off the short term interim warrants for financing the construction phase of SID #29 were offset by the issuance of long term bonds for SID #29 and sales tax revenue bonds for park property purchases.
- The General Fund (the primary operating fund) had its fund equity increase by \$1,212,441 to \$4,431,098. The increase was a combination of increases in the reserved funds including park impact fees and C-Road Funds plus a large increase in the unreserved funds of the City.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Springville City's basic financial statements. Springville City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Springville City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Springville City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Springville City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Springville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on Pages 13-15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Springville City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund, the Special Revenue Fund, and the Capital Projects Fund. The balance of the governmental funds is determined to be non-major and is included in the combining statements within this report.

- **Proprietary funds** - Springville City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Springville City uses enterprise funds to account for its Electric Utility, Water Utility, Sewer Utility, Solid Waste Collection, and Golf Course and Restaurant. Internal service funds are an accounting device used to accumulate and allocate costs internally among Springville City's various functions. The City uses an internal service fund for maintenance of its vehicles and equipment. Because this service primarily benefits governmental activities, it has been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds

meet the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Springville City, assets exceed liabilities by \$97,208,988.

The largest portion of Springville City's net assets (\$69,577,059 or 71.6%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS (In thousands of dollars)

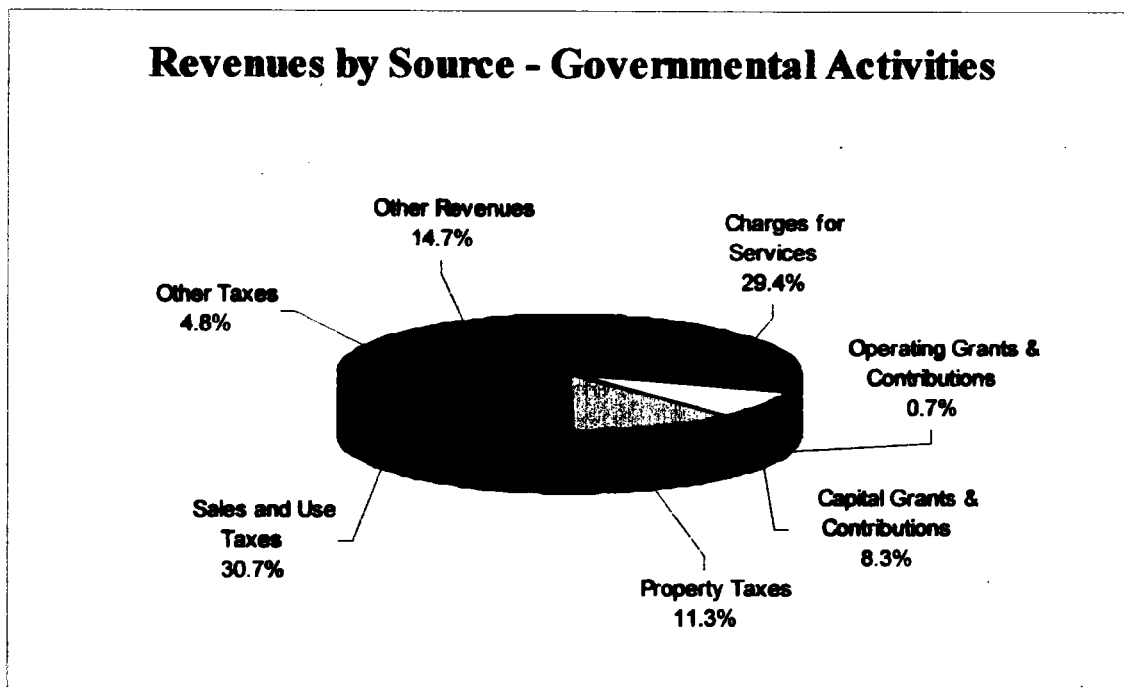
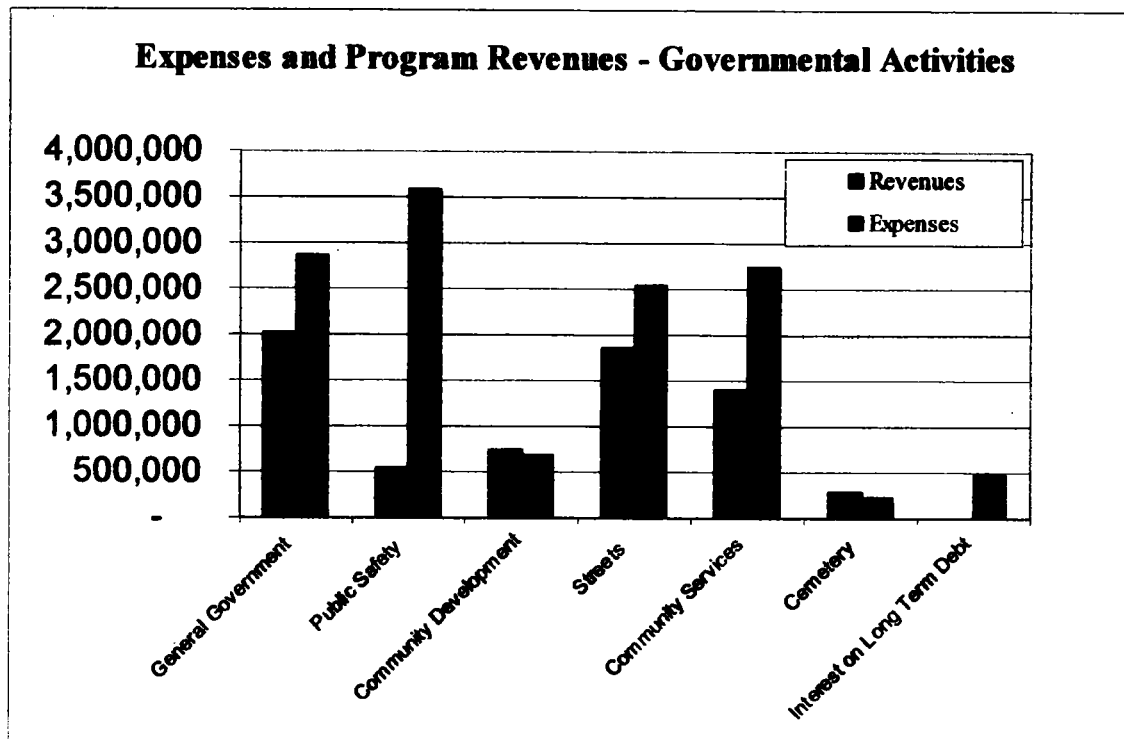
	Governmental Activities		Business-type Activities	
	2005-2006	2004-2005	2005-2006	2004-2005
Current and Other Assets	21,563	12,195	4,150	2,213
Capital Assets	47,370	40,942	58,035	57,369
Total Assets	68,933	53,137	62,185	59,582
Long-term Debt Outstanding	13,947	7,700	10,080	12,393
Other Liabilities	7,798	2,837	2,084	2,674
Total Liabilities	21,745	10,537	12,164	15,067
Net Assets:				
Invested in Capital Assets, Net of Debt	28,501	30,236	41,076	39,219
Restricted	4,414	1,534	7,095	4,858
Unrestricted	14,273	10,830	1,850	438
Total Net Assets	47,188	42,600	50,021	44,515

CHANGES IN NET ASSETS (In thousands of dollars)

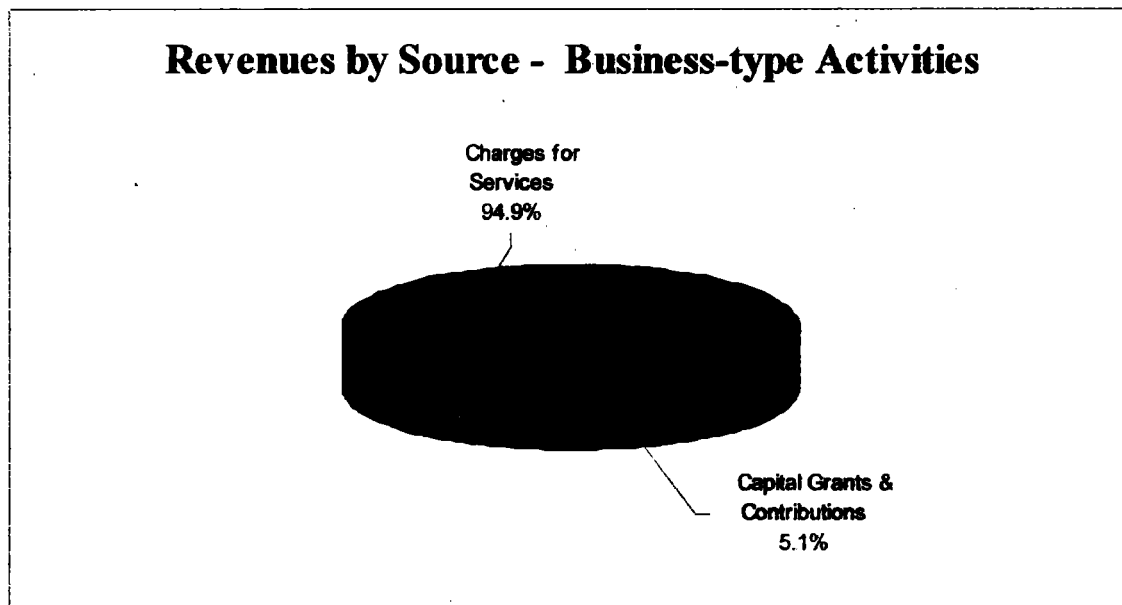
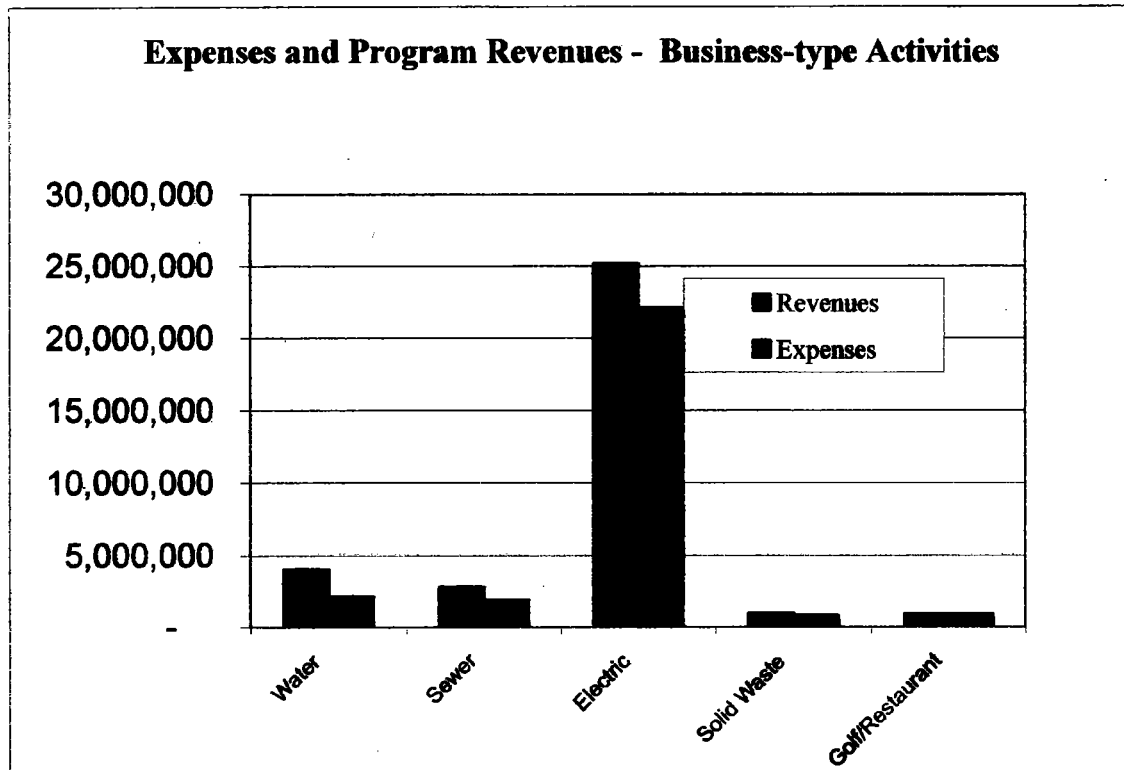
	Governmental Activities		Business-type Activities	
	2005-2006	2004-2005	2005-2006	2004-2005
Revenues				
Program Revenues:				
Charges for Services	5,198	3,975	32,010	27,504
Operating Grants and Contributions	127	258		
Capital Grants and Contributions	1,473	2,412	1,731	1,717
General Revenues:				
Property Taxes	1,998	1,758		
Sales and Use Taxes	5,421	4,598		
Change in Joint Venture	(46)	1,881		
Other Taxes	850	755		
Other Revenues	2,069	376	170	62
Total Revenues	17,091	16,013	33,911	29,283
Expenses				
General Government	2,858	2,676		
Public Safety	3,573	3,357		
Streets	2,531	2,517		
Community Development	674	578		
Community Services	2,749	2,659		
Cemetery	213	198		
Interest on Long-Term Debt	480	228		
Electric			22,091	19,352
Water			2,098	1,910
Wastewater Collection & Treatment			1,890	1,873
Solid Waste Collections			789	737
Golf Course & Restaurant			880	883
Swimming Pool			-	-
Total Expenses	13,078	12,213	27,748	24,755
Increase in Net Assets Before Transfers	4,013	3,800	6,163	4,528
Transfers	582	602	(582)	(602)
Change in Net Assets	4,595	4,402	5,581	3,926
Net Assets Beginning	42,600	38,198	44,515	40,424
Prior Period Adjustment	(7)		(75)	165
Net Assets Ending	47,188	42,600	50,021	44,515

Most increases in expenses versus the prior year reflect the impact of inflation combined with increases in personnel costs. Streets showed minimal increase as capital projects were reduced versus the prior year.

The graphs shown below display the government-wide activities reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with 94.9% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed. Expenses for each fund only reflect direct operating costs. The expenses for capital projects, bond principal payments and inter-fund transfers are not included.



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2006, the City's governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$16,377,022. This represents an increase of \$7,418,663 over last year's ending balances. The large increase was a combination of reserve funds being increased for future capital projects and bond revenues yet to be spent on park land purchases. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund. The largest element of taxes is sales and use taxes as it has been for the last several years. They represent approximately two-thirds of total tax revenues which is nearly the same proportion as last year.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$11,985,844 to a final budget of \$11,456,964. A portion of the drop was due to most departmental budgets having minor reductions in the final budget. The reductions were to help assure the City would not have unreserved funds in excess of the maximum allowed under Utah State Code. Several capital projects were also delayed and moved into the next fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$91,974,365 (net of accumulated depreciation). This investment in capital assets includes land, water shares, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in capital assets minus depreciation for the current year increased by \$2,911,541. Governmental activities' capital assets increased by \$3,414,156 while the business-type activities' capital assets decreased by \$502,615.

Major capital asset events during the current fiscal year included the following:

- Digital document management and workflow system, \$75,154
- Replacement of police vehicles, \$124,256
- Installation of traffic light started at 200 East 400 South, \$75,242
- Chip sealing on existing roads, \$162,603
- Oversizing water lines in the West Fields, \$124,039
- Replace North Main Street water line, \$76,413
- Replace North Main Street sewer line, \$185,451
- Install Canyon Road lift station, \$84,212
- Install sewer line on 1500 West, \$108,082
- Install new electric system infrastructure, \$726,270
- Rebuild electric generator (Unit K3), \$102,911

SPRINGVILLE CITY'S CAPITAL ASSETS (In Thousands of Dollars)

	Governmental Activities		Business-type Activities	
	2005-2006	2004-2005	2005-2006	2004-2005
Land	13,590	9,535	1,309	1,309
Water Shares			1,200	1,200
Buildings	5,233	5,192	1,770	1,770
System Improvements	48,166	41,510	78,428	76,379
Machinery & Equipment	5,035	4,644	5,166	4,796
Construction in Progress	-	5,020		
Less Accumulated Depreciation	(30,989)	(28,280)	(36,934)	(34,012)
Total	41,035	37,621	50,939	51,442

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2006, the City had total bonded debt outstanding of \$22,773,604. Of this amount \$465,000 is considered to be general obligation debt and is backed by the full faith and credit of the City. These general obligation bonds were issued specifically for water and sewer development projects and these two enterprise funds provide all funding for the bonds' repayment. \$6,231,604 is special assessment debt which the City is liable for in the event of default by the property owners subject to

the assessment. \$8,972,000 is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric, Water and Sewer Utilities). The remainder is in a municipal building authority lease bond for \$475,000, an excise tax bond for \$730,000, and a sales tax revenue bond for \$5,900,000 which are funded out of General Fund and impact fee revenues.

SPRINGVILLE CITY'S OUTSTANDING DEBT (In Thousands of Dollars)

	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
General Obligation Bonds			465	690
Revenue Bonds			8,972	11,149
MBA Bonds	475	580		
Excise Tax Bonds	730	890		
Special Assessment Bonds	5,977	826	255	332
Sales Tax Revenue Bonds	5,900			
Notes Payable	350	4,724	130	
Capital Leases	148	216		
Compensated Absences	508	464	382	373
Total	<u>14,087</u>	<u>7,700</u>	<u>10,204</u>	<u>12,544</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$63,473,918 which is much higher than the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer and electrical projects is thus \$126,947,836. The City has issued significantly less bonds than this debt limit.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Utah County (of which Springville City is a major city) was 2.8% compared to a state unemployment rate of 3.0% and a national rate of 4.6%. (Source: Utah Dept of Workforce Services)

- The General Fund budget for FY 2006-2007 reflects a decrease of \$2,772,612 compared to the final budget for FY 2005-2006. In Fiscal 2005-2006, two large transfers (\$2,645,799 to the Capital Projects Fund and \$628,431 to the Special Improvement Fund) were budgeted. These transfers for Fiscal 2006-2007 are only budgeted at a combined total of \$228,770. The savings from these decreases in transfers effectively cover the increases in personnel, operations, and capital projects and equipment purchases from FY 2005-2006 to FY 2006-2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Springville City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, Springville City, 50 S Main St, Springville, UT 84663.

BASIC FINANCIAL STATEMENTS

SPRINGVILLE CITY CORPORATION

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 11,781,772	\$ 528,192	\$ 12,309,964
Accounts Receivable, Net of Allowance for Uncollectibles	9,942,874	2,926,610	12,869,484
Prepaid Expenses	85,491	250	85,741
Inventory	-	448,460	448,460
Internal Balances	(246,959)	246,959	-
TOTAL CURRENT ASSETS	21,563,178	4,150,471	25,713,649
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	4,414,182	5,046,173	9,460,355
Capital Assets			
Non Depreciable	13,589,775	2,509,337	16,099,112
Depreciable Assets (net of Depreciation)	27,444,939	48,430,314	75,875,253
Other Assets			
Investment in Joint Ventures	1,921,151	2,049,149	3,970,300
TOTAL NONCURRENT ASSETS	47,370,047	58,034,973	105,405,020
TOTAL ASSETS	68,933,225	62,185,444	131,118,669
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	2,167,677	1,275,807	3,443,484
Deferred Revenues	5,630,053	807,955	6,438,008
TOTAL CURRENT LIABILITIES	7,797,730	2,083,762	9,881,492
NONCURRENT LIABILITIES			
Due Within One Year	1,280,812	3,013,116	4,293,928
Due in more than One Year	12,666,813	7,067,448	19,734,261
TOTAL NONCURRENT LIABILITIES	13,947,625	10,080,564	24,028,189
TOTAL LIABILITIES	21,745,355	12,164,326	33,909,681
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	28,500,600	41,076,459	69,577,059
Restricted for			
Community Improvements	3,736,514	4,692,135	8,428,649
Debt Service	677,668	2,403,187	3,080,855
Unrestricted	14,273,088	1,849,337	16,122,425
TOTAL NET ASSETS	\$ 47,187,870	\$ 50,021,118	\$ 97,208,988

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities				
General Government	\$ 2,858,396	\$ 1,949,811	\$ -	\$ 25,000
Public Safety	3,573,245	426,162	111,447	5,797
Community Development	673,449	745,010	-	-
Streets	2,531,006	1,023,308	-	829,529
Community Services	2,749,188	779,945	15,287	612,477
Cemetery	212,521	273,927	-	-
Interest on Long-Term Debt	480,178	-	-	-
Total Governmental Activities	13,077,983	5,198,163	126,734	1,472,803
Business-type Activities				
Water	2,098,558	3,693,797	-	300,468
Sewer	1,889,769	2,454,214	-	319,531
Electric	22,091,549	24,021,486	-	1,111,087
Solid Waste	788,905	950,034	-	-
Golf/Restaurant	880,003	890,746	-	-
Total Business-type Activities	27,748,784	32,010,277	-	1,731,086
TOTAL PRIMARY GOVERNMENT	\$ 40,826,767	\$ 37,208,440	\$ 126,734	\$ 3,203,889

General Revenues
 Property Taxes
 Vehicle Taxes
 Sales and Use Taxes
 Other Taxes
 Unrestricted Investment Earnings
 Miscellaneous
 Change in Joint Venture Equity
 Gain (Loss) on Sale of Fixed Assets
 Transfers
 Special Item
 Sale of Property
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets - Beginning
 Prior Period Adjustment
 Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (883,585)	-	\$ (883,585)
(3,029,839)	-	(3,029,839)
71,561	-	71,561
(678,169)	-	(678,169)
(1,341,479)	-	(1,341,479)
61,406	-	61,406
(480,178)	-	(480,178)
<u>(6,280,283)</u>	<u>-</u>	<u>(6,280,283)</u>
-	1,895,707	1,895,707
-	883,976	883,976
-	3,041,024	3,041,024
-	161,129	161,129
-	10,743	10,743
<u>-</u>	<u>5,992,579</u>	<u>5,992,579</u>
<u>(6,280,283)</u>	<u>5,992,579</u>	<u>(287,704)</u>
1,997,865	-	1,997,865
252,306	-	252,306
5,420,976	-	5,420,976
598,147	-	598,147
894,811	146,715	1,041,526
87,909	-	87,909
(46,332)	21,956	(24,376)
(16,617)	1,700	(14,917)
582,167	(582,167)	-
<u>1,104,048</u>	<u>-</u>	<u>1,104,048</u>
<u>10,875,280</u>	<u>(411,796)</u>	<u>10,463,484</u>
4,594,997	5,580,783	10,175,780
42,600,183	44,514,525	87,114,708
<u>(7,310)</u>	<u>(74,190)</u>	<u>(81,500)</u>
<u>\$ 47,187,870</u>	<u>\$ 50,021,118</u>	<u>\$ 97,208,988</u>

SPRINGVILLE CITY CORPORATION

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

	Governmental-type Activities				
	General	Special Revenue	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 5,541,157	\$ -	\$ 5,914,774	\$ 325,841	\$ 11,781,772
Accounts Receivable	345,366	-	-	-	345,366
Property Taxes Receivable	1,887,827	-	-	-	1,887,827
Special Assessments Receivable	-	6,926,633	-	-	6,926,633
Other Receivables	783,048	-	-	-	783,048
Due from Other Fund	-	468,639	1,188,921	219,559	1,877,119
Prepaid Expenses	85,491	-	-	-	85,491
Restricted Cash	1,815,272	555,933	2,013,627	29,350	4,414,182
Investment in Joint Venture	77,361	-	-	-	77,361
TOTAL ASSETS	\$ 10,535,522	\$ 7,951,205	\$ 9,117,322	\$ 574,750	\$ 28,178,799
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ 825,532	\$ -	\$ 49,278	\$ 218	\$ 875,028
Compensated Absences	245,409	-	-	-	245,409
Due to Other Fund	2,109,405	-	-	17,804	2,127,209
Development and Other Bonds	1,090,094	-	-	-	1,090,094
Deferred Revenue	1,833,984	5,630,053	-	-	7,464,037
TOTAL LIABILITIES	6,104,424	5,630,053	49,278	18,022	11,801,777
FUND BALANCE					
Reserved					
Impact Fees	682,004	-	-	-	682,004
Class C Roads	1,133,359	-	-	-	1,133,359
Joint Venture	77,361	-	-	-	77,361
Debt Service	-	-	-	29,350	29,350
Capital Projects	-	555,933	9,068,044	-	9,623,977
Unreserved	2,538,374	1,765,219	-	527,378	4,830,971
TOTAL	4,431,098	2,321,152	9,068,044	556,728	16,377,022
TOTAL AND TOTAL	\$ 10,535,522	\$ 7,951,205	\$ 9,117,322	\$ 574,750	\$ 28,178,799

RICHARD MOON,
REMEMBER DAVE
ALLEN SPOKE WITH
YOU ABOUT THE
18% REQUIREMENT.

*RICHARD MOON,
REMEMBER DAVE
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See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 16,377,022**

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. **42,878,504**

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. **1,833,984**

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. **(13,901,640)**

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 47,187,870**

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Governmental-type Activities				Total Governmental Funds
	General	Special Revenue	Capital Projects	Nonmajor Governmental Funds	
REVENUES					
Taxes	\$ 8,178,614	\$ -	\$ -	\$ -	\$ 8,178,614
Licenses and Permits	797,102	-	-	-	797,102
Intergovernmental	986,734	-	-	-	986,734
Charges for Services	2,777,933	967,581	-	25,070	3,770,584
Fines and Forfeitures	630,477	-	-	-	630,477
Sale of Property	1,104,048	-	-	-	1,104,048
Interest	273,990	406,765	213,785	271	894,811
Miscellaneous	59,526	-	-	28,383	87,909
TOTAL REVENUES	14,808,424	1,374,346	213,785	53,724	16,450,279
EXPENDITURES					
General Government	2,831,344	1,719	-	23,114	2,856,177
Public Safety	3,440,352	-	-	20,228	3,460,580
Community Development	679,745	-	-	-	679,745
Streets	1,190,757	-	-	-	1,190,757
Community Services	2,856,220	-	-	-	2,856,220
Cemetery	237,768	-	-	-	237,768
Debt Service					
Principal	-	119,000	-	299,168	418,168
Interest and Finance Charges	-	136,920	-	274,573	411,493
Capital Outlay	-	-	4,719,999	-	4,719,999
TOTAL EXPENDITURES	11,236,186	257,639	4,719,999	617,083	16,830,907
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	3,572,238	1,116,707	(4,506,214)	(563,359)	(380,628)
OTHER FINANCING SOURCES (USES)					
Proceeds from Interim Warrants	-	-	728,902	-	728,902
Proceeds from Bonds Issued	-	-	5,900,000	-	5,900,000
Impact Fees	595,532	-	-	-	595,532
Transfers from Other Funds	900,800	628,431	2,645,799	574,589	4,749,619
Transfers to Other Funds	(3,848,819)	-	(318,633)	-	(4,167,452)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	1,219,751	1,745,138	4,449,854	11,230	7,425,973
BEGINNING FUND BALANCE	3,218,657	576,014	4,618,190	545,498	8,958,359
PRIOR PERIOD ADJUSTMENT	(7,310)	-	-	-	(7,310)
ENDING FUND BALANCE	\$ 4,431,098	\$ 2,321,152	\$ 9,068,044	\$ 556,728	\$ 16,377,022

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ 7,425,973**

*Amounts reported for governmental activities in the statement of activities
are different because*

**Property taxes will not be collected for several months after the City's fiscal year
end. They are not considered to be available revenues in the governmental
funds. Deferred property tax revenues increased by this amount this year.** **90,680**

**Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period.** **3,414,156**

**Issuance of long-term debt provides current financial resources to governmental
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items.** **(6,203,969)**

**The City's equity investment in the airport is reflected in the governmental
funds using the current financial resources measurement focus and the
modified accrual basis of accounting. It is reflected in the government-wide
statements using the economic resources measurement focus and the
accrual basis of accounting. This is the current year difference in the change
in equity.** **(46,332)**

**One internal service fund is used by management to charge the cost of
vehicle maintenance to individual funds. Revenues exceeded expenses
by this amount.** **75**

**Some revenues and expenses reported in the statement of activities do not
add to or require the use of current financial resources and, therefore, are
not reported as revenues or expenditures in the governmental funds.** **(85,586)**

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ 4,594,997**

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,932,770	\$ 7,963,200	\$ 8,178,614	\$ 215,414
Licenses and Permits	829,800	767,000	797,102	30,102
Intergovernmental	896,775	961,032	986,734	25,702
Charges for Services	2,166,630	2,729,430	2,777,933	48,503
Fines and Forfeitures	589,000	624,000	630,477	6,477
Sale of Property	-	1,104,648	1,104,048	(600)
Interest	116,000	274,000	273,990	(10)
Miscellaneous	50,000	57,000	59,526	2,526
TOTAL REVENUES	11,580,975	14,480,310	14,808,424	328,114
EXPENDITURES				
General Government	2,904,041	2,941,046	2,831,344	109,702
Public Safety	3,580,229	3,484,551	3,440,352	44,199
Community Development	697,128	688,859	679,745	9,114
Streets	1,576,243	1,234,775	1,190,757	44,018
Community Services	2,934,131	2,864,561	2,856,220	8,341
Cemetery	294,072	243,172	237,768	5,404
TOTAL EXPENDITURES	11,985,844	11,456,964	11,236,186	220,778
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	(404,869)	3,023,346	3,572,238	548,892
OTHER FINANCING SOURCES (USES)				
Impact Fees	425,000	534,000	595,532	61,532
Transfers from Other Funds	900,800	900,800	900,800	-
Transfers to Other Funds	(985,472)	(3,832,396)	(3,848,819)	(16,423)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES				
	(64,541)	625,750	1,219,751	594,001
FUND BALANCE ALLOCATION	64,541	(625,750)	-	625,750
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	\$ -	\$ -	\$ 1,219,751	\$ 1,219,751

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Charges for Services	\$ 196,000	\$ 967,669	\$ 967,581	\$ (88)
Interest	<u>67,870</u>	<u>395,000</u>	<u>406,765</u>	<u>11,765</u>
 TOTAL REVENUES	 <u>263,870</u>	 <u>1,362,669</u>	 <u>1,374,346</u>	 <u>11,677</u>
 <u>EXPENDITURES</u>				
General Government	-	1,174,000	1,719	1,172,281
Debt Service				
Principal	196,000	119,000	119,000	-
Interest and Finance Charges	<u>67,870</u>	<u>144,870</u>	<u>136,920</u>	<u>7,950</u>
 TOTAL EXPENDITURES	 <u>263,870</u>	 <u>1,437,870</u>	 <u>257,639</u>	 <u>1,180,231</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 -	 (75,201)	 1,116,707	 1,191,908
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	-	628,431	628,431	-
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	 -	 553,230	 1,745,138	 1,191,908
 FUND BALANCE ALLOCATION	 -	 (553,230)	 -	 553,230
 EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,745,138</u>	 <u>\$ 1,745,138</u>

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 63,757	\$ 9,974	\$ 42,950	\$ 411,511	528,192	\$ -
Accounts Receivable, Net of Allowance for Uncollectibles	581,323	267,101	1,923,341	119,484	2,891,249	-
Other Receivables	-	1,932	33,429	-	35,361	-
Due from Other Fund	768,779	-	-	356,313	1,125,092	3,131
Prepaid Expenses	-	-	-	250	250	-
Inventory	-	-	448,460	-	448,460	-
TOTAL CURRENT ASSETS	1,413,859	279,007	2,448,180	887,558	5,028,604	3,131
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	805,407	1,306,676	2,934,090	-	5,046,173	-
Capital Assets						
Land	201,267	20,700	258,498	828,953	1,309,418	-
Water Shares	1,199,919	-	-	-	1,199,919	-
Buildings and Structures	38,098	-	38,077	1,693,997	1,770,172	-
Improvements	14,813,198	16,223,619	47,391,264	-	78,428,081	-
Machinery, Equipment and Vehicles	524,500	717,170	1,964,196	1,960,245	5,166,111	-
Less Accumulated Depreciation	(5,541,776)	(6,807,497)	(22,249,361)	(2,335,416)	(36,934,050)	-
Other Assets						
Investment in Joint Venture	-	-	-	2,049,149	2,049,149	-
TOTAL NONCURRENT ASSETS	12,040,613	11,460,668	30,336,764	4,196,928	58,034,973	-
TOTAL ASSETS	13,454,472	11,739,675	32,784,944	5,084,486	63,063,577	3,131
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	186,972	80,724	423,438	61,240	752,374	3,131
Accrued Interest Payable	20,101	35,876	108,767	-	164,744	-
Due to Other Fund	-	80,604	797,529	-	878,133	-
Deferred Revenue	-	-	807,955	-	807,955	-
Customer Deposits	9,240	-	349,449	-	358,689	-
Compensated Absences	52,548	44,425	202,931	82,212	382,116	-
Current Portion of Long-Term Debt	335,450	225,550	2,030,000	40,000	2,631,000	-
TOTAL CURRENT LIABILITIES	604,311	467,179	4,720,069	183,452	5,975,011	3,131
NONCURRENT LIABILITIES						
Notes Payable	-	-	-	90,000	90,000	-
Bonds Payable	931,742	1,742,529	4,303,177	-	6,977,448	-
TOTAL NONCURRENT LIABILITIES	931,742	1,742,529	4,303,177	90,000	7,067,448	-
TOTAL LIABILITIES	1,536,053	2,209,708	9,023,246	273,452	13,042,459	3,131
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	9,947,913	8,150,037	20,960,730	2,017,779	41,076,459	-
Restricted						
Community Improvements	576,719	934,126	1,132,141	-	2,642,986	-
Debt Service	228,688	372,550	1,801,949	-	2,403,187	-
Investment in Joint Venture	-	-	-	2,049,149	2,049,149	-
Designated for Construction	-	-	-	38,817	38,817	-
Unrestricted	1,165,099	73,254	(133,122)	705,289	1,810,520	-
TOTAL NET ASSETS	\$ 11,918,419	\$ 9,529,967	\$ 23,761,698	\$ 4,811,034	\$ 50,021,118	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES						
Charges for Services	\$ 3,586,296	\$ 2,451,248	\$ 23,802,823	\$ 1,837,435	\$ 31,677,802	\$ 182,999
Connection Fees	85,950	-	87,964	-	173,914	-
Miscellaneous	21,551	2,966	130,699	3,345	158,561	-
TOTAL OPERATING REVENUES	3,693,797	2,454,214	24,021,486	1,840,780	32,010,277	182,999
OPERATING EXPENSES						
Salaries and Benefits	592,534	480,720	2,382,681	647,467	4,103,402	140,600
General and Administrative	374,336	477,681	700,740	124,585	1,677,342	6,102
Operations	700,690	409,805	16,771,551	564,706	18,446,752	36,222
Depreciation	361,883	422,393	1,820,914	332,150	2,937,340	-
TOTAL OPERATING EXPENSES	2,029,443	1,790,599	21,675,886	1,668,908	27,164,836	182,924
OPERATING INCOME	1,664,354	663,615	2,345,600	171,872	4,845,441	75
NON-OPERATING REVENUES (EXPENSES)						
Gain on Sale of Equipment	-	1,700	-	-	1,700	-
Impact Fees	300,468	319,531	1,111,087	-	1,731,086	-
Interest Income	52,779	15,257	61,666	17,013	146,715	-
Increase in Investment in Joint Venture	-	-	-	21,956	21,956	-
Interest Expense	(69,115)	(99,170)	(415,663)	-	(583,948)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	284,132	237,318	757,090	38,969	1,317,509	-
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,948,486	900,933	3,102,690	210,841	6,162,950	75
Transfers from Other Funds	-	-	318,633	-	318,633	-
Transfers to Other Funds	(176,900)	(189,200)	(481,000)	(53,700)	(900,800)	-
CHANGE IN NET ASSETS	1,771,586	711,733	2,940,323	157,141	5,580,783	75
TOTAL NET ASSETS AT BEGINNING OF YEAR	10,146,833	8,818,234	20,895,565	4,653,893	44,514,525	(75)
PRIOR PERIOD ADJUSTMENT	-	-	(74,190)	-	(74,190)	-
TOTAL NET ASSETS AT END OF YEAR	\$ 11,918,419	\$ 9,529,967	\$ 23,761,698	\$ 4,811,034	\$ 50,021,118	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 3,527,762	\$ 2,426,660	\$ 23,856,911	\$ 1,830,695	\$ 31,642,028	\$ 182,999
Payments to Suppliers	(1,384,201)	(937,535)	(18,305,039)	(676,741)	(21,303,516)	(40,995)
Payments to Employees	(586,858)	(478,474)	(2,353,540)	(675,820)	(4,094,692)	(140,600)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,556,703	1,010,651	3,198,332	478,134	6,243,820	1,404
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Due to Other Funds	-	(223,213)	-	-	(223,213)	-
Transfers from Other Funds	-	-	318,633	-	318,633	-
Due from Other Funds	(721,193)	-	342,487	(319,190)	(697,896)	1,458
Transfers to Other Funds	(176,900)	(189,200)	(481,000)	(53,700)	(900,800)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(898,093)	(412,413)	180,120	(372,890)	(1,503,276)	1,458
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Proceeds from Sale of Assets	-	1,700	-	-	1,700	-
Proceeds from Note Payable	-	-	-	130,000	130,000	-
Impact Fees	300,468	319,531	1,111,087	-	1,731,086	-
Acquisition of Capital Assets	(344,278)	(713,426)	(1,125,005)	(235,318)	(2,418,027)	-
Interim Warrants	-	-	(89,484)	-	(89,484)	-
Bond Payments	(321,845)	(214,140)	(1,914,863)	-	(2,450,848)	-
Interest Expense	(73,437)	(102,677)	(447,156)	-	(623,270)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(439,092)	(709,012)	(2,465,421)	(105,318)	(3,718,843)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	52,779	15,257	61,666	17,013	146,715	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	52,779	15,257	61,666	17,013	146,715	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	272,297	(95,517)	974,697	16,939	1,168,416	2,862
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	596,867	1,412,167	2,002,343	394,572	4,405,949	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 869,164	\$ 1,316,650	\$ 2,977,040	\$ 411,511	\$ 5,574,365	\$ 2,862

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 1,664,354	\$ 663,615	\$ 2,345,600	\$ 171,872	\$ 4,845,441	\$ 75
Adjustments						
Depreciation	361,883	422,393	1,820,914	332,150	2,937,340	-
Changes in Assets and Liabilities						
Accounts Receivable, Net	(166,435)	(37,249)	(728,361)	(10,085)	(942,130)	-
Other Receivables	-	9,695	59,315	-	69,010	-
Inventory	-	-	(123,142)	-	(123,142)	-
Accounts Payable	(259,175)	(50,049)	(409,606)	12,550	(706,280)	1,329
Compensated Absences	5,676	2,246	29,141	(28,353)	8,710	-
Customer Deposits	400	-	(2,301)	-	(1,901)	-
Contingent Liabilities	(50,000)	-	(300,000)	-	(350,000)	-
Deferred Revenue	-	-	506,772	-	506,772	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,556,703	\$ 1,010,651	\$ 3,198,332	\$ 478,134	\$ 6,243,820	\$ 1,404
Noncash Financing and Investing Transaction						
Increase in Investment in Joint Venture	\$ -	\$ -	\$ -	\$ -	\$ 21,956	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Springville, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

The City of Springville (the City) was incorporated in 1903 under the laws of the State of Utah. The City operates under a Mayor-Council form of government. The City provides municipal services under the following organizational structure:

Mayor and City Council: Mayor and City Council, Community Promotion, and Advisory Boards and Commissions.

City Administration: City Administrator, Risk Management, Emergency Operations, Recorder, Community and Neighborhood, Computer Services, and Economic Development.

Financial Services: Finance Director, Treasurer, Utilities, Accounting, Facilities, Purchasing, and Warehousing.

City Attorney: Legal Services, Prosecution, Civil and Environmental Law, and Personnel.

Development Services: Planning and Zoning and Code Enforcement.

Public Safety: Police, Dispatch, Fire, Animal Control, and Emergency Medical Services.

Electric: Distribution, Generation and Street Lighting

Public Works: Streets, Engineering, Fleet Maintenance, Water, Solid Waste Services, Water Reclamation, and Storm Sewer Services.

Community Services: Swimming Pool Operations, City Celebrations, Parks, Outdoor Recreation Programs, Senior Citizen Programs, Library and Cemetery.

The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

NOTE 1 - (CONTINUED)

Included with the reporting entity as blended component units are the following organizations:

A five-member board of trustees composed of the City Council governs the Redevelopment Agency of the City of Springville (RDA). Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Special Revenue Fund. Separate financial statements are not issued for the RDA.

A five-member board of trustees composed of the City Council governs the Municipal Building Authority of the City of Springville (MBA). Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The activities of the MBA are included in these financial statements as the Municipal Building Authority Debt Service Fund. Separate financial statements are not issued for the MBA.

The joint ventures with Spanish Fork/Springville Airport and South Utah Valley Solid Waste District are included in the City's reporting entity because of the significance of their operational and financial relationships with the City. Complete financial statements of the joint ventures, which issued separate financial statements can be obtained from their administrative offices.

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - (CONTINUED)

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *special revenue fund* is used to account special improvement district collections and related debt service payments.

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *electric fund* accounts for the activities of the City's electric generation and distribution operations.

Activities of these three funds include administration, operations and maintenance of the water, sewer and electric systems and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all water, sewer and electric fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

Additionally, the City uses an *internal service fund* to account for the costs of operating and maintaining vehicles and equipment owned by the City.

NOTE 1 - (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

C. Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Proprietary fund inventories are recorded at the lower of cost or market on a weighted average basis, which approximates the first-in, first-out method.

D. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

NOTE 1 - (CONTINUED)

E. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-40 years
Improvements and infrastructure	7-40 years
Machinery, equipment and vehicles	5-15 years

F. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end. Accumulated sick leave is earned at a rate of one day per month and employees have an option to sell back to the City 25% of current year accrual each November. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate unlimited sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement.

G. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - (CONTINUED)

H. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

I. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc.. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2006 and unpaid from 2005, as well as special improvement district assessments receivable at June 30, 2006 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

NOTE 2 - (CONTINUED)

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

JOINT VENTURE CAPITAL ASSETS	
Airport Improvements	\$ 1,843,790
SPRINGVILLE CITY CAPITAL ASSETS	
Land	13,589,775
Buildings and Structures	5,233,553
Improvements	48,165,903
Machinery, Equipment and Vehicles	5,034,684
Less Accumulated Depreciation	<u>(30,989,201)</u>
Net Capital Asset Difference	\$ <u>42,878,504</u>

Other Long-Term Asset Differences

Property taxes due in November 2006 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2006	\$ <u>1,833,984</u>
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Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (199,424)
Unamortized Issue Costs	165,781
Unamortized Premium	(26,609)
Revenue Bonds Payable	(13,081,604)
Notes Payable	(350,000)
Capital Leases Payable	(147,553)
Long-Term Compensated Absences	<u>(262,231)</u>
Total Long-Term Liability Difference	\$ <u>(13,901,640)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

NOTE 2 - (CONTINUED)

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Developer Contributions	\$ 17,271
Capital Outlay	6,114,743
Loss on Sale of Equipment	(16,617)
Depreciation Expense	<u>(2,701,241)</u>
Net Difference	\$ <u>3,414,156</u>

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Debt Issued	
Bonds	\$ (11,169,604)
Notes	(943,001)
Principal Repayments	
Bonds	384,000
Notes	5,459,587
Capital Leases	68,710
Amortization of Issue Costs and Premium	<u>(3,661)</u>
Net Difference	\$ <u>(6,203,969)</u>

Other Revenue and Expense Differences

The changes in long-term compensated absences and in accrued interest payable are not reported in the statement of revenues, expenditures and changes in fund balance. Both changes are reported in the statement of activities. The details of these differences are reported below:

Change in Long-Term Compensated Absences	\$ (20,562)
Change in Accrued Interest Payable	<u>(65,024)</u>
Net Difference	\$ <u>(85,586)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Administrator and the Finance Director, submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

NOTE 3 - (CONTINUED)

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

NOTE 4 - (CONTINUED)

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$744,799 of the City's bank balances of \$907,648 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 16,595,894	\$ 16,595,894	\$ -	\$ -	\$ -
U.S. Treasuries	<u>5,022,412</u>	<u>2,014,529</u>	<u>1,802,921</u>	<u>485,202</u>	<u>719,760</u>
Total Investments	<u>\$ 21,618,306</u>	<u>\$ 18,610,423</u>	<u>\$ 1,802,921</u>	<u>\$ 485,202</u>	<u>\$ 719,760</u>

NOTE 4 - (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 149,279
Investments	21,618,306
Cash on Hand	<u>2,734</u>
Total	<u>\$ 21,770,319</u>
Cash and Cash Equivalents	\$ 12,309,964
Restricted Cash and Cash Equivalents	<u>9,460,355</u>
Total	<u>\$ 21,770,319</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2006 are presented in the schedule below.

Property taxes are levied on January 1 of 2006, are due in November of 2006, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2006 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current period is considered susceptible to accrual as revenue of the current period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2006:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	\$ 345,366	\$ 2,948,302	\$ 3,293,668
Allowance for Uncollectible	-	(57,053)	(57,053)
Property Taxes Receivable	1,887,827	-	1,887,827
Special Assessments Receivable	6,926,633	-	6,926,633
Other Receivables	<u>783,048</u>	<u>35,361</u>	<u>818,409</u>
Total	<u>\$ 9,942,874</u>	<u>\$ 2,926,610</u>	<u>\$ 12,869,484</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2006:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 9,535,042	\$ 4,054,733	\$ -	\$ 13,589,775
Construction in Progress	5,019,604	-	(5,019,604)	-
Capital Assets being Depreciated				
Buildings and Structures	5,191,424	42,129	-	5,233,553
Improvements	41,510,216	1,636,083	5,019,604	48,165,903
Machinery, Equipment and Vehicles	<u>4,644,396</u>	<u>397,665</u>	<u>(7,377)</u>	<u>5,034,684</u>
Total	65,900,682	6,130,610	(7,377)	72,023,915
Less Accumulated Depreciation	<u>(28,280,124)</u>	<u>(2,701,241)</u>	<u>(7,836)</u>	<u>(30,989,201)</u>
Governmental Activities Capital Assets, Net	<u>\$ 37,620,558</u>	<u>\$ 3,429,369</u>	<u>\$ (15,213)</u>	<u>\$ 41,034,714</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2006:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,309,418	\$ -	\$ -	\$ 1,309,418
Water Shares	1,199,919	-	-	1,199,919
Capital Assets being Depreciated				
Buildings and Structures	1,770,172	-	-	1,770,172
Improvements	76,378,743	2,049,338	-	78,428,081
Machinery, Equipment and Vehicles	<u>4,795,937</u>	<u>376,082</u>	<u>(5,908)</u>	<u>5,166,111</u>
Total	85,454,189	2,425,420	(5,908)	87,873,701
Less Accumulated Depreciation	<u>(34,011,923)</u>	<u>(2,937,340)</u>	<u>15,213</u>	<u>(36,934,050)</u>
Business-type Activities Capital Assets, Net	<u>\$ 51,442,266</u>	<u>\$ (511,920)</u>	<u>\$ 9,305</u>	<u>\$ 50,939,651</u>

NOTE 6 - (CONTINUED)

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 86,580
Public Safety	289,758
Community Development	9,899
Streets	2,045,252
Community Services	250,122
Cemetery	<u>19,630</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 2,701,241</u>
Business-type Activities	
Water	\$ 361,883
Sewer	422,393
Electric	1,820,914
Solid Waste	168,812
Golf Course/Restaurant	<u>163,338</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 2,937,340</u>

NOTE 7 - INVESTMENT IN JOINT VENTURES

Spanish Fork/Springville Airport

The City is party to a joint venture with Spanish Fork City, a neighboring municipality, in the Spanish Fork/Springville Airport (the Airport). The joint venture was organized under an interlocal agreement per Section 11-13 of the Utah Code. It was created to provide airport services for both communities. Additional information is as follows:

a. Participants and their percentage shares:

Springville City	50.0%
Spanish Fork City	50.0%

- b. The Airport is governed by the City Councils of the two participating cities. It also has an Oversight Board, which is selected from members of the participants' City Councils and other citizens of the two communities.
- c. The Airport Oversight Board oversees the operations of the airport through management employed by the Board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.

NOTE 7 - (CONTINUED)

- d. Summary financial information, as of the joint venture's last year end of June 30, 2006, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Springville City's Share</u>
Total Assets	\$ 3,845,532	\$ 1,922,766
Total Liabilities	<u>(3,229)</u>	<u>(1,615)</u>
Net Assets	<u>\$ 3,842,303</u>	<u>\$ 1,921,151</u>
Program Revenues	\$ 103,836	\$ 51,918
General Revenues	10,204	5,102
Program Expenses	<u>(192,346)</u>	<u>(96,173)</u>
Change in Net Assets	<u>\$ (78,306)</u>	<u>\$ (39,153)</u>

- e. Audited financial statements for the Spanish Fork/Springville Airport are available at the Airport offices, 5300 South 200 West, Spanish Fork, Utah.

South Utah Valley Solid Waste District

The City is party to a joint venture with five other municipalities in the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's solid waste revenue comes from these governmental entities. Additional information is as follows:

- a. Participants and their percentage shares:

Springville City	15.00%
Provo City	69.75%
Spanish Fork City	11.75%
Mapleton City	2.00%
Salem City	1.50%
Goshen Town	<u>0.00%</u>
	<u>100.00%</u>

- b. The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city appoints one director. All decisions of the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them.
- c. The District's Board of directors governs the operations of the District through management employed by the board. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.

NOTE 7 - (CONTINUED)

- d. Summary financial information as of the joint venture's last fiscal year end for which an audit has been completed, June 30, 2005, is as follows:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Total Assets	\$ 16,642,235	\$ 2,496,335
Total Liabilities	<u>(2,981,242)</u>	<u>(447,186)</u>
Net Assets	\$ <u>13,660,993</u>	\$ <u>2,049,149</u>
Operating Revenues	\$ 3,845,261	\$ 576,789
Operating Expenditures	<u>(3,858,288)</u>	<u>(578,743)</u>
Net Operating Income (Loss)	(13,027)	(1,954)
Total Non-Operating Income (Expense)	<u>159,402</u>	<u>23,910</u>
Net Income (Loss)	\$ <u>146,375</u>	\$ <u>21,956</u>

- e. The joint venture has the following long-term debt:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Closure and Postclosure Liability	\$ 2,691,748	\$ 403,762
Accrued Compensated Absences	<u>157,219</u>	<u>23,583</u>
Total Long-Term Liabilities	\$ <u>2,848,967</u>	\$ <u>427,345</u>

- f. Audited financial statement for the south Utah Valley Solid Waste district are available at the District offices, 2450 West 400 South, Springville, Utah.

NOTE 8 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

NOTE 8 - (CONTINUED)

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2006:

	Year Ending June 30,
2007	\$ 77,871
2008	40,021
2009	<u>40,021</u>
 Total Minimum Lease Payments	 157,913
 Interest Portion	 <u>(10,360)</u>
 Present Value of Net Minimum Lease Payments	 147,553
Amount Due Within One Year	<u>(71,799)</u>
 Amount Due After One Year	 <u>\$ 75,754</u>

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City at June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue Bonds					
2000 Municipal Building Authority Lease	\$ 580,000	\$ -	\$ (105,000)	\$ 475,000	\$ 110,000
2000 Excise Tax	890,000	-	(160,000)	730,000	165,000
2000 Special Assessment	826,000	-	(119,000)	707,000	126,000
2005 Special Assessment	-	5,269,604	-	5,269,604	212,604
2006 Sales Tax	-	5,900,000	-	5,900,000	300,000
Notes Payable					
2003 Interim Warrants	4,723,753	545,851	(5,269,604)	-	-
2006 Childs Property	-	397,150	(47,150)	350,000	50,000
Capital Leases					
2002 Fire Truck	70,131	-	(34,169)	35,962	35,962
2005 Grader	146,132	-	(34,541)	111,591	35,837
Compensated Absences	<u>464,361</u>	<u>43,279</u>	<u>-</u>	<u>507,640</u>	<u>245,409</u>
	<u>\$ 7,700,377</u>	<u>\$ 12,155,884</u>	<u>\$ (5,769,464)</u>	14,086,797	<u>\$ 1,280,812</u>
 Unamortized Bond Issuance Costs and Premium				<u>(139,172)</u>	
				<u>\$ 13,947,625</u>	

NOTE 9 - (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
Revenue Bonds					
1996 Electric	\$ 6,145,000	\$ -	\$ (1,430,000)	\$ 4,715,000	\$ 1,500,000
1998 Sewer	1,179,000	-	(62,000)	1,117,000	65,000
1998 Special Assessment	332,000	-	(77,000)	255,000	81,000
1998 Water and Sewer	1,635,000	-	(180,000)	1,455,000	185,000
2000 Electric	2,190,000	-	(505,000)	1,685,000	530,000
General Obligation Bonds					
2001 Water and Sewer	690,000	-	(225,000)	465,000	230,000
Notes Payable					
2006 Golf Carts	-	130,000	-	130,000	40,000
Compensated Absences	<u>373,406</u>	<u>8,710</u>	<u>-</u>	<u>382,116</u>	<u>382,116</u>
	<u>\$12,544,406</u>	<u>\$ 138,710</u>	<u>\$ (2,479,000)</u>	10,204,116	<u>\$ 3,013,116</u>
Unamortized Bond Issuance Costs and Premium				<u>(123,552)</u>	
				<u>\$ 10,080,564</u>	

Long-term debt and obligations payable at June 30, 2006 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Governmental Activities				
Bonds Payable				
Municipal Building Authority Lease Revenue Bonds, Series 2000, (original amount-- \$1,020,000)	6.00%	2010	\$ 110,000	\$ 365,000
Excise Tax Revenue Bonds, dated December 22, 2000, (original amount-- \$1,250,000)	5.30% to 5.75%	2010	165,000	565,000
Special Assessment Bonds, dated December 22, 2000 (original amount-- \$1,234,000)	5.97%	2011	126,000	581,000
Special Assessment Bonds, dated December 8, 2005 (original amount-- \$5,269,604)	5.05% to 6.00%	2021	212,604	5,057,000
Sales Tax Revenue Bonds, dated January 5, 2006 (original amount-- \$5,900,000)	4.00% to 5.00%	2021	300,000	5,600,000
Child's Property Note Payable (original amount--\$397,150)	6.00%	2013	50,000	300,000
Fire Truck (original amount--\$162,746)	5.25%	2007	35,962	-
Grader (original amount--\$186,037)	3.75%	2009	35,837	75,754
Compensated Absences			245,409	262,231
Unamortized Bond Issuance Cost and Premium				<u>(139,172)</u>
Total Governmental Activities Long-term Debt			<u>\$ 1,280,812</u>	<u>\$ 12,666,813</u>

NOTE 9 - (CONTINUED)

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Electric Revenue Bonds, dated February 1, 1996, (original amount--\$8,015,000)	4.00% to 5.00%	2009	\$ 1,500,000	\$ 3,215,000
Sewer Revenue Bonds, dated February 1, 1998, (original amount--\$1,500,000)	4.50%	2019	65,000	1,052,000
Special Improvement District #25 Bonds, dated October 1, 1998, (original amount--\$722,000)	5.00% to 5.30%	2009	81,000	174,000
Water and Sewer Revenue Bonds, dated October 6, 1998, (original amount--\$2,625,000)	3.40% to 4.30%	2013	185,000	1,270,000
Electric Revenue Bonds, Dated July 1, 2000, (original amount--\$2,190,000)	5.40% to 5.60%	2009	530,000	1,155,000
Water and Sewer General Obligation Refunding Bonds, Dated August 23, 2001, (original Amount--\$3,165,000)	4.00% to 4.10%	2008	230,000	235,000
Golf Cart Note Payable (original amount--\$130,000)	0.00%	2009	40,000	90,000
Compensated Absences			382,116	-
Unamortized Bond Issuance Costs and Discounts			-	(123,552)
			<u>\$ 3,013,116</u>	<u>\$ 7,067,448</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,035,403	\$ 706,400	\$ 2,631,000	\$ 467,115	\$ 3,666,403	\$ 1,173,515
2008	1,064,180	624,401	2,748,000	343,417	3,812,180	967,818
2009	1,131,574	570,326	2,650,000	209,097	3,781,574	779,423
2010	1,139,000	512,719	279,000	77,165	1,418,000	589,884
2011	843,000	453,853	293,000	66,105	1,136,000	519,958
2012-2016	3,745,000	1,713,287	904,000	162,400	4,649,000	1,875,687
2017-2021	<u>4,621,000</u>	<u>721,180</u>	<u>317,000</u>	<u>28,935</u>	<u>4,938,000</u>	<u>750,115</u>
	<u>\$13,579,157</u>	<u>\$ 5,302,166</u>	<u>\$ 9,822,000</u>	<u>\$ 1,354,234</u>	<u>\$ 23,401,157</u>	<u>\$ 6,656,400</u>

NOTE 9 - (CONTINUED)

All outstanding revenue bonds are secured by a first lien on net revenues earned by the City. Net revenues are defined in the revenue bond agreements. The City is required to establish rates (including connection fees) sufficient to pay the operation and maintenance expenses and to provide net revenues in an amount not less than 130% of the aggregated annual debt service requirement for the forthcoming fiscal year. The following summarizes the debt service coverage calculations for the various revenue bonds:

	<u>Water Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>	<u>Electric Revenue Bonds</u>
Net Revenues			
Operating Revenues	\$ 3,693,797	\$ 2,454,214	\$24,021,486
Operating Expenses(excluding depreciation and amortization)	(1,667,560)	(1,368,206)	(19,854,972)
Impact Fees	300,468	319,531	1,111,087
Interest Income	52,779	15,237	61,666
Gain on Sale of Assets	<u>-</u>	<u>1,700</u>	<u>-</u>
Net revenues	<u>\$ 2,379,484</u>	<u>\$ 1,422,496</u>	<u>\$ 5,339,267</u>
Maximum Aggregate Debt Service	<u>\$ 343,300</u>	<u>\$ 246,000</u>	<u>\$ 2,245,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>693%</u>	<u>578%</u>	<u>238%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>	<u>130%</u>

NOTE 10 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$759,634.

NOTE 11 - RETIREMENT PLANS

Springville City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Division A Noncontributory Retirement System, and the Firefighters Retirement System, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

NOTE 11 - (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, and 8.61% to the Firefighters Retirement Systems, respectively. Springville City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory, 11.09% to the Noncontributory, and 19.34% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Springville City's contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Contributory System, \$26,373, \$29,559 and \$26,428; for the Noncontributory System, \$610,251, \$593,464, and \$500,068; for the Public Safety Noncontributory, \$203,582, \$195,307, and \$176,125; for the Firefighters System, \$10,132, \$9,736, and \$9,043, respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2006, was \$7,591,732. Of that amount, \$6,280,133 was eligible to participate in the plan. The City participates at rates between 0% and 3.35% depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2006, contributions totaling \$205,347 were made to the plan by employees and \$223,818 by the City.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Southern Utah Valley Power Systems (SUVPS)

In 2002, the City entered into a power service contract with SUVPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the SUVPS bonds have been paid or (2) the final shut down date of SUVPS. The contract entitles the City to approximately 57.32 percent of the capacity of the Dry Creek Substation. The City is obligated for 57.32 percent of the debt service on approximately \$3,745,000 in electric revenue bonds outstanding at June 30, 2006, issued to finance construction of the Dry Creek Substation.

NOTE 13 - (CONTINUED)

Utah Associated Municipal Power System (UAMPS)

The City is a member of Utah Associated Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements with respect to various projects in which UAMPS participates. The total cost of the power the City will be required to purchase in future years is not determinable. During the year ended June 30, 2006, the City purchased power totaling approximately \$11.6 million.

The City is obligated through power service contracts with UAMPS for the consequences of "take or pay" contracts with UAMPS customers. The City is also obligated through power service contracts to pay its proportionate share of bonded indebtedness. UAMPS service charges to the City include the City's proportionate obligation for the following items:

UAMPS Payson Generation Plant

In 2006, the City entered into a power service contract with UAMPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the UAMPS Payson Generation Plant revenue bonds have been paid or (2) the final shutdown date of the Payson Generation Plant. The contract entitles the City to approximately 19.11 percent of the output of the Payson Generation Plant. The City is obligated for 19.11 percent of the debt service on approximately \$97,970,000 in revenue bonds outstanding at June 30, 2006, issued to finance construction of the plant.

Future Commitments and Contingencies

San Juan - An equity purchase of 4 megawatts of energy from the San Juan coal-fired plant started in July 2006. The four megawatts represents approximately 14.9% of the plant's capacity so Springville City is obligated for a corresponding 13.5% of the bonded debt. The outstanding bond principal as of June 30, 2006 was \$27,640,000. This power is a base load project, meaning that power is delivered 24 hours per day whenever the plant is operating. The average cost of a delivered kilowatt of power from the San Juan project is projected at \$0.0505/kwh. Springville City expects to receive approximately 30.0 million kilowatts of power over the course of an average year.

Deseret Generation and Transmission Contract - This is a flexible wholesale power contract. Springville will receive 10 megawatts of power from Deseret Generation and Transmission from October 1, 2006 until December 31, 2012. Power will not be available between June and September for 2006 and 2007. Springville City has the option to take power as base load, intermediate or peaking power subject to restrictions in the agreement. The price for each option is set by formula and is tied to twelve months of market prices with a floor and ceiling. The contract ensures that Springville will generally be purchasing power at costs less than market averages.

NOTE 14 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 900,800	\$ 3,848,819
Special Improvement Fund	628,431	-
Debt Service Fund	356,366	-
Municipal Building Authority Fund	139,800	-
Capital Projects Fund	2,645,799	318,633
Enterprise Funds		
Water	-	176,900
Sewer	-	189,200
Electrical	318,633	481,000
Solid Waste	-	47,100
Golf Course/Restaurant	-	6,600
Permanent Funds	<u>78,423</u>	-
	<u>\$ 5,068,252</u>	<u>\$ 5,068,252</u>

NOTE 15 - SPRINGVILLE REDEVELOPMENT AGENCY

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1.	The tax increment collected by the agency	\$ -
2.	The amount of tax increment paid to Springville City	\$ -
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ -
4.	The actual amount expended for:	
	A. Acquisition of property	\$ -
	B. Site Improvements	-
	C. Installation of public utilities and roads	-
	D. Administration costs	-
	TOTAL EXPENDED	\$ -

NOTE 16 - RISK MANAGEMENT

The City is a member of a combined risk management pool consisting of twenty-three (23) member Cities in the State of Utah. Utah Risk Management Mutual Association (URMMA) is a not-for-profit entity created to pool the resources of local governments together to provide low-cost liability and risk insurance. URMMA provides its members with training and legal and technical support in operating the City's risks. Springville has a representative as a member of the board that meets annually to discuss policies and procedures. An executive board is elected from the members to meet regularly to discuss risk issues and to make recommendations to the rest of the members at the annual meeting. The City is involved with all aspects of controlling and reducing risk with the help of the association. The association provides annual and semi-annual audits on the City's policies and practices as they relate to risk in the work place and other liability risks that arise.

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

In 2006, a few vehicles were identified which were missing from the depreciation schedules. Adjustments of \$7,310 and \$15,294 were recorded in the general and electric funds, respectively, to account for the difference between the cost and accumulated depreciation related to the vehicles. Additionally, a prior period adjustment of \$89,484 was recorded in the electric fund to correct special improvement district interim warrants which were originally recorded to this fund.

SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	Special Revenue	Debt Service Funds			Total Nonmajor Governmental Funds
	Redevelop- ment Agency	Debt Service	Municipal Building Authority	Permanent Fund	
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 17,804	\$ -	\$ 308,037	\$ 325,841
Due from Other Fund	1,914	-	-	217,645	219,559
Restricted Cash	-	28,005	1,345	-	29,350
TOTAL ASSETS	\$ 1,914	\$ 45,809	\$ 1,345	\$ 525,682	\$ 574,750
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ 218	\$ 218
Due to Other Fund	-	17,804	-	-	17,804
TOTAL LIABILITIES	-	17,804	-	218	18,022
FUND BALANCE					
Reserved for Debt Service	-	28,005	1,345	-	29,350
Unreserved	1,914	-	-	525,464	527,378
TOTAL FUND EQUITY	1,914	28,005	1,345	525,464	556,728
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,914	\$ 45,809	\$ 1,345	\$ 525,682	\$ 574,750

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue	Debt Service Funds			Total Nonmajor Governmental Funds
	Redevelop- ment Agency	Debt Service	Municipal Building Authority	Permanent Fund	
REVENUES					
Charges for Services	\$ -	\$ -	\$ -	\$ 25,070	\$ 25,070
Interest	-	-	96	175	271
Miscellaneous	-	28,383	-	-	28,383
TOTAL REVENUES	-	28,383	96	25,245	53,724
EXPENDITURES					
General Government	-	-	-	23,114	23,114
Public Safety	-	-	-	20,228	20,228
Debt Service					
Principal	-	194,168	105,000	-	299,168
Interest and Finance Charges	-	239,773	34,800	-	274,573
TOTAL EXPENDITURES	-	433,941	139,800	43,342	617,083
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	(405,558)	(139,704)	(18,097)	(563,359)
OTHER FINANCING SOURCES					
Transfers From Other Funds	-	356,366	139,800	78,423	574,589
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	(49,192)	96	60,326	11,230
BEGINNING FUND BALANCE	1,914	77,197	1,249	465,138	545,498
ENDING FUND BALANCE	\$ 1,914	\$ 28,005	\$ 1,345	\$ 525,464	\$ 556,728

SPRINGVILLE CITY CORPORATION

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2006

	Solid Waste	Golf Course/ Restaurant	Total Nonmajor Enterprise Funds
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 410,978	\$ 533	\$ 411,511
Accounts Receivable, Net of Allowance for Uncollectibles	119,484	-	119,484
Due from Other Fund	311,298	45,015	356,313
Prepaid Expenses	-	250	250
TOTAL CURRENT ASSETS	841,760	45,798	887,558
NONCURRENT ASSETS			
Capital Assets			
Land	487,433	341,520	828,953
Buildings and Structures	254,635	1,439,362	1,693,997
Machinery, Equipment and Vehicles	1,345,318	614,927	1,960,245
Less Accumulated Depreciation	(1,133,374)	(1,202,042)	(2,335,416)
Other Assets			
Investment In Joint Venture	2,049,149	-	2,049,149
TOTAL NONCURRENT ASSETS	3,003,161	1,193,767	4,196,928
TOTAL ASSETS	3,844,921	1,239,565	5,084,486
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	34,303	26,937	61,240
Compensated Absences	11,166	71,046	82,212
Current Portion of Long-Term Debt	-	40,000	40,000
TOTAL CURRENT LIABILITIES	45,469	137,983	183,452
NONCURRENT LIABILITIES			
Note Payable	-	90,000	90,000
TOTAL NONCURRENT LIABILITIES	-	90,000	90,000
TOTAL LIABILITIES	45,469	227,983	273,452
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	954,012	1,063,767	2,017,779
Restricted			
Investment In Joint Venture	2,049,149	-	2,049,149
Designated for Construction	-	38,817	38,817
Unrestricted	796,291	(91,002)	705,289
TOTAL NET ASSETS	\$ 3,799,452	\$ 1,011,582	\$ 4,811,034

SPRINGVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	<u>Solid Waste</u>	<u>Golf Course/ Restaurant</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 946,689	\$ 890,746	\$ 1,837,435
Miscellaneous	<u>3,345</u>	<u>-</u>	<u>3,345</u>
TOTAL OPERATING REVENUES	<u>950,034</u>	<u>890,746</u>	<u>1,840,780</u>
<u>OPERATING EXPENSES</u>			
Salaries and Benefits	166,864	480,603	647,467
General and Administrative	68,301	56,284	124,585
Operations	384,928	179,778	564,706
Depreciation	<u>168,812</u>	<u>163,338</u>	<u>332,150</u>
TOTAL OPERATING EXPENSES	<u>788,905</u>	<u>880,003</u>	<u>1,668,908</u>
OPERATING INCOME (LOSS)	<u>161,129</u>	<u>10,743</u>	<u>171,872</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Income	16,986	27	17,013
Increase in Investment in Joint Venture	<u>21,956</u>	<u>-</u>	<u>21,956</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>38,942</u>	<u>27</u>	<u>38,969</u>
INCOME (LOSS) BEFORE TRANSFERS	200,071	10,770	210,841
Transfers to Other Funds	<u>(47,100)</u>	<u>(6,600)</u>	<u>(53,700)</u>
CHANGE IN NET ASSETS	152,971	4,170	157,141
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>3,646,481</u>	<u>1,007,412</u>	<u>4,653,893</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 3,799,452</u>	<u>\$ 1,011,582</u>	<u>\$ 4,811,034</u>

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Solid Waste</u>	<u>Golf Course/ Restaurant</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 939,949	\$ 890,746	\$ 1,830,695
Payments to Suppliers	(447,395)	(229,346)	(676,741)
Payments to Employees	(168,830)	(506,990)	(675,820)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>323,724</u>	<u>154,410</u>	<u>478,134</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers to Other Funds	(47,100)	(6,600)	(53,700)
Due from Other Funds	(246,563)	(72,627)	(319,190)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(293,663)</u>	<u>(79,227)</u>	<u>(372,890)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Issuance of Note Payable	-	130,000	130,000
Acquisition of Capital Assets	(30,061)	(205,257)	(235,318)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(30,061)</u>	<u>(75,257)</u>	<u>(105,318)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income	<u>16,986</u>	<u>27</u>	<u>17,013</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>16,986</u>	<u>27</u>	<u>17,013</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,986	(47)	16,939
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>393,992</u>	<u>580</u>	<u>394,572</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 410,978</u>	<u>\$ 533</u>	<u>\$ 411,511</u>

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Solid Waste</u>	<u>Golf Course/ Restaurant</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 161,129	\$ 10,743	\$ 171,872
Adjustments			
Depreciation	168,812	163,338	332,150
Changes in Assets and Liabilities			
Accounts Receivable, Net	(10,085)	-	(10,085)
Prepaid Expenses	-	-	-
Accounts Payable	5,834	6,716	12,550
Compensated Absences	(1,966)	(26,387)	(28,353)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 323,724</u>	<u>\$ 154,410</u>	<u>\$ 478,134</u>

SPRINGVILLE CITY

SCHEDULE OF IMPACT FEES

FOR THE YEAR ENDED JUNE 30, 2006

Springville City collects public safety, streets, parks, water, sewer and electric impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Public Safety	Streets	Parks	Water	Sewer	Electric
2003	\$ -	\$ -	\$ -	\$ -	\$ 109,687	\$ -
2004	-	-	-	-	232,017	-
2005	-	-	171,698	274,110	272,411	16,179
2006	<u>16,353</u>	<u>73,482</u>	<u>510,306</u>	<u>302,609</u>	<u>320,011</u>	<u>1,115,962</u>
Total	\$ 16,353	\$ 73,482	\$ 682,004	\$ 576,719	\$ 934,126	\$ 1,132,141

The following capital projects are planned to use the impact fees shown above:

Capital Project Planned	Projected Cost	Estimated Starting Date	Type of Impact Fee
Park Land Acquisition	\$ 5,900,000	Spring 2006	Park
Purchase Murray City Transformer	\$ 500,000	Winter 2006	Electric
Purchase IPP West Fields Substation Land	\$ 100,500	Spring 2007	Electric
West Sub Power Transformer Upgrade	\$ 644,500	Spring 2007	Electric
Power Factor Correction Project	\$ 120,000	Spring 2007	Electric
Purchase Land for Satellite Fire Station	\$ 375,000	Summer 2006	Public Safety
Improve 800 South Intersection at 800/900 East	\$ 400,000	Spring 2007	Streets
New Well near the 200 North Well (3,000 GPM)	\$ 1,630,000	Summer 2007	Water
Sewer Infrastructure along 1500 West	\$ 3,079,000	Fall 2007	Sewer

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

September 26, 2006

**The Honorable Mayor
Members of the City Council
Springville City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements, and have issued my report thereon dated September 26, 2006. As part of my audit, I have audited Springville City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

**Victims Advocate Grant
Public Library Development Grant
Court Grant**

**Police Grant
Block Grant
EMS Grant**

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and
Property Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of Springville City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In my opinion, Springville City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

 CPA
Greg Ogden
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 26, 2006

**Honorable Mayor
Members of the City Council
Springville City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements, and have issued my report thereon dated September 26, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Springville City, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville City, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

 CPA
Greg Ogden
Certified Public Accountant

SPRINGVILLE CITY, UTAH

MANAGEMENT LETTER
JUNE 30, 2006

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

September 26, 2006

Honorable Mayor
Members of the City Council
Springville City, UT

Council Members:

The primary purpose of my audit of the basic financial statements of Springville City, Utah for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Springville City. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE REQUIREMENTS FINDING

FINDING - NEGATIVE UNRESTRICTED NET ASSETS IN THE ELECTRIC DEPARTMENT

There is a negative balance in the unrestricted net assets in the electric enterprise fund. During 2006, more money was moved into the escrow accounts reserved for electric fund debt service, resulting in the negative unrestricted net asset balance.

RECOMMENDATION

I encourage you to consider either transferring less from the electric department to the general fund during 2007 or transferring money from another department into the electric department sufficient to offset the negative balance.

RESPONSE - SPRINGVILLE CITY

We will determine how best to offset the negative unrestricted net asset balance during the 2007 fiscal year.

INTERNAL CONTROL SUGGESTIONS

SUGGESTION - LOCK BLANK CHECK STOCK

The City's blank check stock is currently kept in an unlocked file cabinet.

RECOMMENDATION

To ensure that blank checks are not misused, I recommend that you consider locking the blank checks and limiting access to those who are authorized to sign checks.

RESPONSE - SPRINGVILLE CITY

We are in the process of purchasing a locking cabinet in which to keep our blank check stock.

SUGGESTION - DOCUMENTATION OF VISA CARD USAGE

The City has a policy that each time the City's Visa card is used a credit card usage form be completed and an invoice or receipt be submitted. During the year some purchases were made without the usage form being completed. Also, some purchases were made without an invoice or receipt being submitted. Upon receiving the Visa bill, the accounts payable clerk had to call around to various departments to determine who had used the card.

RECOMMENDATION

The City has a good policy which will help to protect the City from misuse of the credit card. The policy just needs to be enforced.

RESPONSE - SPRINGVILLE CITY

We want our department supervisors to have the flexibility to easily purchase items they need using the credit card. We have been stressing the importance of our credit card documentation policy including the submission of the completed usage form plus any invoices and receipts as available.